

Message Text

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ACTION SS-30

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P 232150Z OCT 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 4013

S E C R E T SECTION 1 OF 2 BUENOS AIRES 7737

EXDIS

E.O. 11652: GDS

TAGS: PFOR, AR, SS

SUBJECT: FONMIN REVIEW HIS MEETING WITH SECRETARY KISSINGER

REF: MEMCON - SECY'S OFFICE - 10/5/73

SUMMARY. ON OCT 19, FOREIGN MINISTER VIGNES DEVOTED LARGE PART OF MEETING ON ANOTHER SUBJECT TO REVIEWING WITH ME HIS OCT 5 MEETING WITH SECRETARY KISSINGER IN NEW YORK. HE DISCUSSED LIMITATIONS ON STEEL SCRAP SALES TO ARGENTINA, IMPLICATION OF US LAWS FOR ARGENTINE TRADE WITH CUBA, GOA COOPERATION WITH USG ON NARCOTICS TRAFFIC CONTROL, GOA CONCERNS REGARDING UTILIZATION OF COMMON HYDRAULIC RESOURCES WITH BRAZIL, AND GOA-UK DISPUTE OVER MALVINAS (FALKLANDS). ACTION REQUESTED: THAT DEPARTMENT REVIEW WITH COMMERCE STEEL SCRAP LICENSING FOR ARGENTINA WITH VIEW TO ACCOMMODATING ARGENTINA'S STATED REQUIREMENTS.

1. DURING MEETING ON OCT 19 ON ANOTHER SUBJECT, FONMIN VIGNES REVIEWED WITH ME SEVERAL OF THE TOPICS HE HAD COVERED IN HIS MEETING WITH SECRETARY KISSINGER IN NEW YORK ON OCT 5. FONMIN WAS ALONE; I HAD WITH ME DCM KREBS AND FRANK ORTIZ WHO WILL SHORTLY TAKE OVER AS DIRECTOR ARA/APU. THEIR PRESENCE WAS ARRANGED BEFOREHAND WITH FONMIN'S OFFICE.

2. FIRST AND FOREMOST ON VIGNES' MIND WAS ARGENTINA'S STEEL SCRAP REQUIREMENT FOR BALANCE 1973. HE SAID HE HAD LEFT MEMO WITH DR KISSINGER OUTLINING GREAT IMPORTANCE GOA ATTACHES TO OBTAINING AN ADDITIONAL 140,000 TONS OF SCRAP FROM US DURING
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1973. HE SAID HE COULD UNDERSTAND WHY COMMERCE DEPARTMENT HAD LIMITED SCRAP EXPORTS AND WHY COMMERCE HAD INITIALLY MEASURED THE NEEDS OF VARIOUS COUNTRIES ON BASIS OF THEIR ORDERS PLACED PRIOR TO JULY 2, 1973 AS REFLECTING HISTORICAL PURCHASES OF US

STEEL SCRAP. HOWEVER, ARGENTINE STEEL INDUSTRY IS AT CRITICAL STAGE OF PLANNED EXPANSION IN WHICH IT HAS INSTALLED NEW CONVERTER CAPACITY, WHICH DEPENDS HEAVILY ON SCRAP, PENDING COMPLETION OF SLOWER PROCESS OF DEVELOPING INTEGRATED MILLS USING PRIMARILY IRON ORE OR PELLETS. THIS DECISION TAKEN BY PREVIOUS GOVERNMENT, AND SUPPORTED BY PRESENT ADMINISTRATION, SINCE IT AFFORDED MEANS OF REDUCING FOREIGN EXCHANGE OUTFLOW FOR SUPPLY OF STEEL REQUIREMENTS DURING PERIOD WHEN BALANCE OF PAYMENTS IN CRITICAL CONDITION. VIGNES SAID THE AVAILABILITY OF ADDITIONAL 140,000 TONS THIS YEAR AND 750,000 TONS NEXT YEAR IS ABSOLUTELY ESSENTIAL TO GOA ECONOMIC PLANS; WITHOUT THESE QUANTITIES NOT ONLY WOULD STEEL INDUSTRY ITSELF FACE SLOW-DOWN BUT OTHER INDUSTRIAL SECTORS DEPENDENT ON STEEL SUPPLIES WOULD BE AFFECTED BY HIGHER COSTS RESULTING IN SLACKENED DEMAND, AND UNEMPLOYMENT.

3. DCM SAID HE HAD DISCUSSED THIS PROBLEM WITH DEPARTMENT OFFICIALS (BOWDLER) DURING VISIT TO WASHINGTON IN MID-SEP AND HAD SUBSEQUENTLY RECEIVED DELEGATION FROM ARGENTINE STEEL INDUSTRIES AT EMBASSY. DETAILED PRESENTATION OF LATTER GROUP HAS BEEN PASSED BY TELEGRAM TO DEPARTMENT (BA 7674).

4. VIGNES WOUND UP DISCUSSION THIS ITEM BY EMPHASIZING AGAIN THE IMPORTANCE GOA PLACES ON GETTING ADEQUATE STEEL SCRAP ALLOCATION FROM USG. HE SAID ARGENTINE REQUIREMENT IS MINUSCULE IN TERMS OF GLOBAL US SCRAP EXPORTS AND HE HOPED WE COULD FIND WAY TO MAKE THE MINOR ADJUSTMENT WHICH WOULD BE NEEDED TO SATISFY HIS COUNTRY.

5. VIGNES THEN REFERRED TO TRADE WITH CUBA, SAYING HE APPRECIATED CANDOR WITH WHICH DR KISSINGER AND OTHER US REPRESENTATIVES HAD SPELLED OUT THE PROBLEM IN TALKS WITH HIM AND WITH HIS EMISSARY, AMBASSADOR DE LA PLAZA. HE SAID ARGENTINA WANTED BY ALL MEANS TO AVOID ANY PUBLIC DEBATE OR UNPLEASANTNESS OVER THIS MATTER. HOWEVER, GOA IS DETERMINED TO FIND NEW MARKETS FOR EXPORTS AND BELIEVES CUBA, ALONG WITH MAINLAND CHINA, ASIA, AND EASTERN EUROPE, CAN ABSORB SUBSTANTIAL VOLUME OF ARGENTINE AGRICULTURAL AND INDUSTRIAL PRODUCTION. HE SAID MANY
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OTHER COUNTRIES HAVE ENJOYED SATISFACTORY TRADING RELATIONS WITH CUBA AND HE FELT TIME NOT FAR OFF WHEN ENTIRE ISSUE OF RELATIONS WITH CUBA WOULD BE HANDLED ON BASIS SIMILAR TO THAT ACHIEVED IN CONNECTION WITH USSR AND PRC. MEANTIME, VIGNES ALLEGED, ARGENTINA WOULD BE PREJUDICED PARTICULARLY BY US MEASURES REGARDING SHIPS CALLING AT CUBAN PORTS SINCE ITS MARITIME CONNECTION WITH CUBA IS "VERTICAL", WHILE OTHER COUNTRIES' ROUTES (CANADA, WESTERN EUROPEAN NATIONS) ARE "HORIZONTAL". IN EFFECT, ARGENTINE VESSELS WILL FIND IT VIRTUALLY IMPOSSIBLE TO OPERATE INTO CUBAN PORTS BECAUSE IN FINAL ANALYSIS THEY WILL ALSO HAVE TO BUNKER AT US PORTS. HE HOPED US WOULD BE ABLE TO RELAX THIS "REGULATION" FOR ARGENTINE VESSELS. I POINTED OUT THAT OUR MEASURES ARE EMBODIED IN LAW RATHER THAN REGULATION, AND THAT IT IS DOUBTFUL

CONGRESS WILL ACT IN NEAR FUTURE TO AMEND OR ANNUAL THIS PROVISION.

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6. VIGNES RATHER SURPRISINGLY DID NOT RAISE THE THORNY QUESTION OF CUBAN DESIRE, SUPPORTED BY GOA, TO PURCHASE VEHICLES AND OTHER MANUFACTURES FROM SUBSIDIARIES OF US FIRMS ESTABLISHED IN ARGENTINA. HIS DEPUTY FOR INTERNATIONAL ECONOMIC RELATIONS, AMBASSADOR TETTAMANTI, DID DISCUSS THIS ASPECT EARLIER IN WEEK WITH DCM AND OFFICIALS OF US FIRMS TELL US THEY ARE UNDER INCREASING PRESSURE ON THIS SCORE. LATTER DEVELOPMENTS BEING REPORTED SEPARATELY.

7. VIGNES NEXT MENTIONED COOPERATION ON CONTROL OF NARCOTICS TRAFFIC, REFERRING PARTICULARLY TO HIS LUNCHEON CONVERSATION WITH GOVERNOR ROCKEFELLER. HE SAID GOA WANTS TO EXTEND FULLEST COOPERATION TO USG EFFORTS IN THIS FIELD, BELIEVING THAT DRUGS ARE UTILIZED BY COMMUNISTS AS MEANS OF INFILTRATION. I TOLD VIGNES THAT WE HAD A TEAM OF DEA AGENTS IN EMBASSY AND THAT THEY ARE ON EXCELLENT TERMS WITH GOA LAW ENFORCEMENT AGENCIES. HE INDICATED AWARENESS OF THIS ARRANGEMENT, BUT SAID GOA WANTS TO GIVE NARCOTICS COOPERATION BROADER POLITICAL SUPPORT, IN WHICH SENSE PERON CONCURS FULLY. DCM REFERRED TO BILATERAL AGREEMENT ENTERED INTO BY PREVIOUS GOA, WITH WHICH VIGNES SAID HE WAS FAMILIAR, AND ADDED THAT BI-NATIONAL COMMISSION SET UP UNDER THAT AGREEMENT HAD LAPSED INTO INACTIVITY AFTER NEW GOVERNMENT TOOK OVER, PRIMARILY BECAUSE NO NEW APPOINTMENTS HAD BEEN MADE TO ARGENTINE NATIONAL NARCOTICS COMMISSION (CONATON), WHICH WAS COUNTERPART TO EMBASSY ON ARGENTINE SIDE. VIGNES SAID HE WAS NOT ENTHUSIASTIC ABOUT COMMITTEES OR COMMISSIONS, BUT HE MADE NOTE TO LOOK INTO POSSIBILITY OF REACTIVATING CONATON AS FIRST STEP TOWARDS RESUMING FULLER COLLABORATION ON NARCOTICS WITH US.

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8. VIGNES REFERRED WITH OBVIOUS SATISFACTION TO GOA SUCCESS IN

BLOCKING APPOINTMENT OF UNNAMED BRAZILIAN TO UN POSITION CONCERNED WITH MANAGEMENT OF NATURAL RESOURCES. HE SEEMED TO BELIEVE THAT USG HAD BACKED ARGENTINA IN THIS CASE. THIS LED TO EXPOSITION OF STANDARD GOA VIEWS ON ITS DISPUTE WITH BRAZIL OVER UTILIZATION OF HYDRAULIC RESOURCES OF PARANA RIVER. HE SAID ARGENTINA WAS ONLY ASKING FOR EMINENTLY REASONABLE RIGHT TO BE CONSULTED ON BRAZILIAN PROJECTS WICH COULD ADVERSELY AFFECT THE QUANTITY AND/OR QUALITY OF WATER AVAILABLE DOWNSTREAM ON THE 2,000 KILOMETERS OF PARANA WHICH PASS THROUGH ARGENTINA, MAKING IT ONE OF MAJOR WATER RESOURCES OF HIS COUNTRY. HE LIKENED SITUATION TO THAT PREVAILING BETWEEN US AND MEXICO AS REGARDS COLORADO RIVER. HE HOPED USG WOULD FIND IT POSSIBLE TO ADOPT MORE FORTHCOMING POSITION THAN THE PRESENT STANCE OF "HANDS-OFF" NEUTRALITY.

9. FINALLY, VIGNES MADE A STRAIGHTFORWARD APPEAL FOR USG SUPPORT OF ITS CLAIM AGAINST UK FOR MALVINAS (FALKLAND) ISLANDS. HE SAID UK HAD "STOLEN" THEM FROM ARGENTINA IN 19TH CENTURY AND WAS PRESENTLY STONEWALLING AGAINST ANY DISCUSSION OF SOVEREIGNTY. HE ADDED THAT USG TRADITION OF OPPOSITION TO COLONIALISM WOULD MAKE IT LOGICAL FOR USG TO SUPPORT ARGENTINA ON THIS ISSUE. I REMARKED THAT ISSUES IN TERRITORIAL DISPUTES ARE USUALLY COMPLICATED AND SOLUTIONS NOT EASY TO FIND, AS I HAD HAD OCCASION TO OBSERVE IN CONNECTION WITH UK-SPANISH DISPUTE OVER GIBRALTAR. VIGNES MERELY REVERTED TO HIS EARLIER LABEL OF "ROBBERY" TO INDICATE HIS CONVICTION THAT RIGHT IS ON ARGENTINE SIDE AND THAT GIBRALTAR QUESTION IS NOT THE SAME.

10. COMMENT AND ACTION REQUESTED: THROUGHOUT OUR CONVERSATION VIGNES WAS RELAXED AND AFFABLE. HE APPEARED CONFIDENT AND SELF-ASSURED IN SETTING FORTH GOA POSITIONS AND HIS REFERENCES TO PERON GAVE IMPRESSION HE REGARDS HIS RELATIONSHIP WITH PRESIDENT TO BE ON FIRM FOOTING. AS I HAVE NOTED HE PLACED GREAT STRESS ON PROBLEM OF STEEL SCRAP SUPPLIES, BOTH BY OPENING DISCUSSION WITH THIS TOPIC AND BY HIS STRONG APPEAL FOR OUR ASSISTANCE. I HOPE THEREFORE THE DEPARTMENT WILL REVIEW THIS MATTER FURTHER WITH COMMERCE, SINCE IT SEEMS TO ME THAT A LITTLE FLEXIBILITY ON THIS QUESTION COULD PAY SUBSTANTIAL DIVIDENDS IN TERMS OF OUR BROADER INTERESTS HERE, AND IN PARTICULAR COULD PROVIDE THE IMPETUS TO MAINTAIN MOMENTUM TOWARDS A TRULY POSITIVE AND CONSTRUCTIVE
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RELATIONSHIP WITH ARGENTINA'S NEW LEADERSHIP.
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